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Sunstone Metals

COMPANY SNAPSHOT

Reuters/Bloomberg:	STM.AX / STM AU
Market cap:	US\$6.7m A\$10.4m
Current price:	A\$0.005
Average daily turnover:	US\$0.13m A\$0.18m
Current shares o/s	1,729.4m
Free float:	85%

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Risk, reward, and value

Sunstone (ASX:STM) has a 27% interest in NASDAQ Stockholm-listed Copperstone Resources (COPP B) worth A\$10-11m at current prices, by itself STM's current market capitalisation.

Sunstone has an 87.5% interest in the Bramaderos concession, southern Ecuador, hosting a cluster of 6 mineralised gold-copper porphyries, and at least 2 epithermal gold systems, both along trend from the 2.1 million ounce Dynasty Goldfield.

Recent drilling at 2 of the porphyries and the acquisition of detailed ground geophysics has enabled definition of potentially higher grade (+1g/t Au equivalent) pencil porphyries, also associated with higher grade cores of surface geochemical anomalies.

With established in-country management, technical and field teams and contract drillers, drill testing of the pencil porphyries and the high-quality Espiritu epithermal gold prospect will commence once Ecuadorean local COVID-19 restrictions are lifted.

Copperstone is advancing the evaluation of Viscaria (52Mt @ 1.2% copper), near Kiruna, Sweden, where recent drilling looks to increase the resource size and quality.

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Why Sunstone

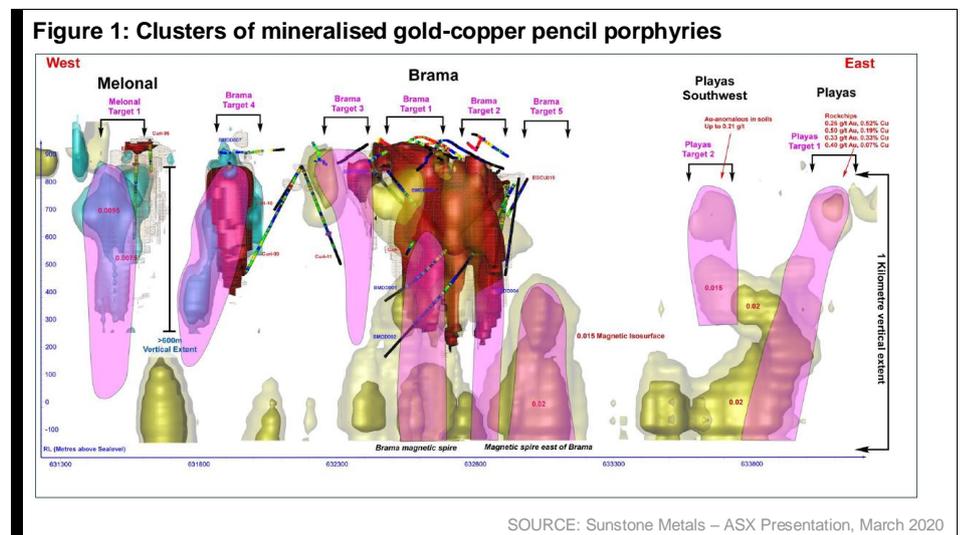
Sunstone's management team, led by MD Malcolm Norris, has experience in successful exploration for, and discovery of, large porphyry copper-gold porphyries including Tujuh Bukit, East Java, and more recently Cascabel, northern Ecuador, with SolGold L:SOLG), this latter through an earn-in JV from Cornerstone Capital (TSX-V:CGP), also Sunstone's partner in this Bramaderos concession. STM has now earned an 87.5% interest in Bramaderos through the revised staged earn-in with Cornerstone.

Why Ecuador

Ecuador has announced, and is enacting, a multi-year plan to provide stability for resource investors. Legal challenges through the Constitutional Court have been consistently dismissed. In southern Ecuador the Fruta del Norte mine operated by Lundin Gold (TSX:LUG) has commissioned and Mirador operated by Ecuacorriente is exporting copper-gold concentrate. Major resource companies including BHP (ASX:BHP), Codelco, Anglo American (LSE:AAL) and Newcrest (ASX:NCM) are funding major exploration programs.

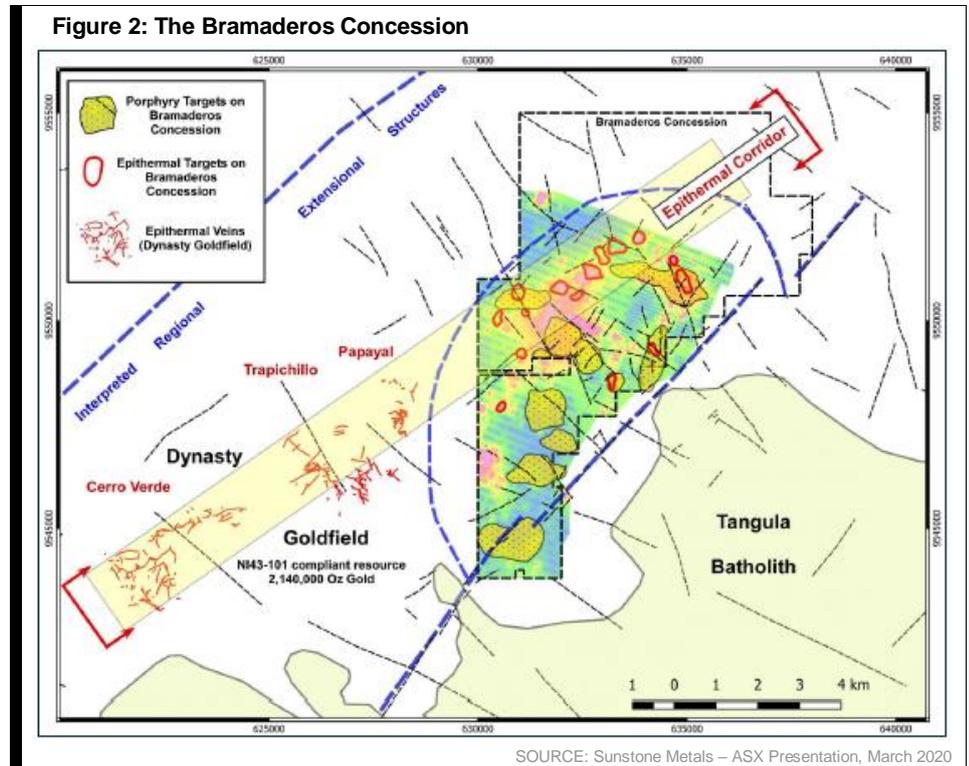
Value in Copperstone and cash - and opportunity

STM reports cash of A\$3.0m before the proposed May 2020 SPP. STM holds 160m shares in Copperstone (COPP-B:ST) representing 27%, with voluntary escrow ending September 2020. The major risk – and upside - is success in the proposed drill program.



Bramaderos – porphyries and high grade epithermals

The Bramaderos concession (STM 87.5%) covers a cluster of 6 known gold-copper mineralised porphyries, and is cut by a northeast trending corridor of epithermal gold targets, extending from the 2.1Moz Dynasty Goldfield held by Core Gold (TSX-V:CGLD), with an average grade of 4.4g/tAu.



Drilling by Sunstone has tested 2 of the 6 porphyry targets, and previous tenement holders drilled 2 other targets, with all 4 having intersected the geological alteration typical of porphyry deposits, and more importantly, gold-copper mineralisation. Reported drillhole and trench intersections over +100m are commonly 0.4-0.6g/t Au and 0.1-0.2% Cu.

Drilling of the first epithermal target reported structurally complex epithermal gold mineralisation, while the second target, a more typical planar epithermal system, has reported +10g/t gold from outcropping veins.

Higher grade pencil porphyry targets

The limited drilling and surface trenching to date has reported some extensive, but relatively low grade, gold-copper intersections. For example, BMDD001 – STM's first hole at Brama – reported 127m @ 0.41g/t Au & 0.16% Cu.

Subsequent acquisition and interpretation of detailed ground magnetic data showed much more structural detail, and when the surface geochemical anomaly was reviewed in conjunction with STM's drill results, it was interpreted that rather than exploring for large but lower grade porphyries – say 1.0km X 0.5km at, say 0.4g/t Au & 0.2% Cu - the Bramaderos concession should be explored for pencil porphyries, smaller in areal extent, but of higher grade and good depth extent – say 200-400m in diameter and, say, 0.7g/t Au & 0.2% Cu.

The reinterpretation of drilling at Limon, for example, suggested that the intersection in LMDD001 of 97.6m @ 0.71g/t Au & 0.23% Cu may have been recovered drilling adjacent to what is now interpreted as one of the pencil porphyries identified by the recently acquired high quality magnetic surveys.

At Espiritu this recent work identified a broad silver-in-soil anomaly, associated with epithermal veins. Rock chip sampling returned a best result of 11.62g/t Au, 2,962g/t Ag and 13% Cu. Trenching was commenced across the vein system, but was halted with concerns over the spread of COVID-19, ahead of the restrictions imposed by the Ecuadorean or local authorities. Sunstone has been active in maintaining the supply of food parcels to furloughed personnel and those in the concession area in need of such support.

Risks

Sunstone is a junior exploration company listed on the ASX. While it has a significant asset in its 160m shareholding in Nasdaq First North (Stockholm) listed Copperstone Resources AB (COPP B:ST), this holding, worth approximately A\$10m, is in voluntary escrow until 9 September 2020. Copperstone is evaluating the Viscaria copper deposit, Kiruna, northern Sweden, with the development – and uplift in value to Copperstone – dependent on the copper price returning to levels of US\$2.75-3.00 per pound. Sunstone has limited cash reserves and no income.

Success in the upcoming drill program, at one or other of the porphyry targets, or at the Espiritu epithermal gold target could be expected to lift the share price, as has occurred with other successful junior exploration companies, even in difficult times such as these.

As with all resource projects, successful exploration is followed by development. This will be dependent on projected commodity prices, and subject to the current fiscal conditions in the jurisdiction in which a project is located. In production mines are subject to any change in fiscal or regulatory conditions, and to the maintenance of social and community acceptance. Costs and revenue will be affected by currency realignments including between the local currency and the US dollar, if sales are denominated in US dollars, and for ASX-listed companies reporting in Australian dollars, the A\$/US\$ exchange rate.

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